

Thomas Elliott to Andrew Jackson, April 6, 1833, from Correspondence of Andrew Jackson. Edited by John Spencer Bassett.

THOMAS ELLICOTT¹ TO JACKSON.

¹ President of the Union Bank of Maryland.

Baltimore, April 6, 1833.

To the President of the United States, Since my return to Baltimore, I have examined with much care the law passed in the year 1816, entitled “an Act to incorporate the subscribers to the Bank of the United States” for the purpose of ascertaining the probable effect which would be produced upon the currency of the Country, and upon local Banks, by the substitution of State Banks as the agents of the government, in the collection, deposit, and distribution, of the public revenue. I had previously been under the impression, that as the Bank of the United States would view the adoption of such a policy as unfriendly, it would possess a power, which it would probably exercise, of throwing suddenly upon the Banks which might be selected as Agents of the Government, very large amounts of the notes of the Bank of the United States, payable at distant Branches, in payment of the revenue; and thus embarrass them with funds, which they could only convert into legal money, at considerable expense and loss of time. The examination has led me to a different conclusion, which is, that the effect would be to put it in the power of the Secretary of the Treasury to compel the Bank of the United States to redeem *all* its own notes either at the mother Bank, or at any one of its branches, at his discretion. If I am correct in the view I have taken, it would not be possible, even if it were proper, to discredit any description of the notes of the Bank of the United States by refusing to accept them in payment of the revenue, because the 12th fundamental article in the Act of Incorporation seems to place

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beyond doubt the right of the Bank to issue Notes and Bills signed by the President and countersigned by the Cashier, payable elsewhere than at the mother Bank; and the 14th section of the Act renders it obligatory upon the Government to accept in payment, “unless otherwise directed by Act of Congress”, *all* Bills or notes which the Bank may have so issued, and which were originally made payable, or which shall have become payable on demand.

The power which the Secretary of the Treasury will possess over the Bank, is derived from the 15th section of the Charter, which imposes upon the Corporation the duty of giving the necessary facilities for transferring “the public funds from place to place within the United States or territories thereof” upon his requisition, and this obligation does not seem to depend upon the fact of the Bank being either the Collector or depository of the funds, but only upon the fact of their being *public funds* ; that is funds belonging to the United States.

The practical operation of collecting the public revenue by State Banks, would doubtless be, that the debtors of the government would pay, in that description of the circulating medium of the Country, which they could not use for other purposes without loss, but which the Government must accept under the provisions of the Charter of the Bank of the United States. They would therefore pay in the notes of the Bank of the United States, redeemable at its most distant Branches, or in other words, of those Branches which were at the greatest discount at the points where the payments were to be made. For instance at Boston and New York, they would pay in the United States Bank notes which were redeemable in coin, only at St. Louis or Mobile, or some other of the Western or Southern Branches, and thus would be imposed upon the collecting Bank the burden and expense of procuring the redemption of such notes in legal money, if it were not for the obligation the Bank of the United States is under, to transfer “from place to place” those funds, when required to do so by the Secretary of the Treasury. But the Bank cannot as I suppose absolve itself from the obligation “to transfer the public funds, from place to place, without charging commission or claiming allowance, on account of difference of exchange”, and consequently it must, whenever the public funds are presented to it, or to

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any of its Branches, upon the requisition of the Secretary of the Treasury, transfer them to such point as he may designate; a refusal would seem to be a violation of its charter.

Let it be supposed then that a state Bank in Boston or New York, has received in payment of the public revenue, the notes of the Bank of the United States, payable at twenty different Branches. they would in fact be the “public funds” and precisely such funds as the Bank of the United States is required by its Charter to transfer “from place to place”, when thereto required by the Secretary of the Treasury, and therefore his order to the Bank of the United States is all that is necessary to impose upon that Bank this duty.

The consequence of this proceeding would be that all the notes of the Bank of the United States, wherever payable, would be currently recieved by all persons and by the local Banks, because they would be taken by the State Banks selected to recieve the public deposits, and as they become debtors to the government to an Amount equal to the whole revenue collected by them, not only in the notes of the Bank of the United States, but in the notes of local Banks also, they might in payment of this debt to Government, place in the hands of the Bank of the United States, all its own notes of every descrpition, which they had recieved, for which the Bank must issue its draft for payment, at any point where the Secretary of the Treasury might require. The obvious effect of this state of things would be to raise *all* the notes of the Bank of the United States to a par Standard at all places, where either the Bank of the United States or its Branches could be reached, with the “public funds” and speedily to limit the quantity of United States Bank notes to an amount, which the Bank could at all times redeem at such places.

If I am correct in this view of the subject, it would seem that the power of controuling that portion of the currency which is composed of the notes of the Bank of the United States would pass from the hands of that Bank into the hands of the Secretary of the Treasury and the Banks which he may select as his Agents in the collection and distribution of the revenue, and that the Bank of the United States would stand in great need of the clemency of the Government, to enable it to protect all its Branches from demands arising

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out of the collection of its notes in the hands of a few rival institutions, who for their own common interest might be disposed to exercise the power they would acquire, in this way, to an extent that might endanger its credit: This however it must be presumed would be controuled by the Secretary of the Treasury to the limit required by a due regard for the general welfare.

It will naturally occur, that a change in the administration of the finances of the country which would produce a rapid and extensive diminution in the quantity of the circulating medium, by withdrawing from circulation the notes of the Bank of the United States, would produce an injurious effect upon the community at large, if a supply of currency be not afforded to an equal extent and of equal value, with that which may be withdrawn, from some other source. Perhaps this cannot be effected in a better way than by an order of the Treasury Department making all notes issued by the Banks which may be selected as Depositories of the public funds recievable in all payments to the United States, and thus give to their notes the same general credit which is now accorded to the notes of the Bank of the United States; they would then be enabled to supply the currency required in consequence of the withdrawal of the notes of the Bank of the United States from Circulation. Thus it seems probable the Bank of the United States would be permitted to glide out of existence on the 3d of March 1836, without disturbing the general relations of a community, where it has hitherto exercised so important an influence.

For the purpose of affording to the Government and the public the same facilities which are now enjoyed in the transmission of funds, and regulations of exchanges, it will be necessary for the Banks which may be selected in the several States, as the Collectors of the public funds, to adopt, under the advice and instruction of the Secretary of the Treasury, a System of well defined regulations, to govern their intercourse with each other; a measure that will be of easy accomplishment when the designation of the Banks shall be made, and the Secretary shall have assigned such duties to them as will best suit the exigencies of the Treasury, and promote to the greatest extent the public convenience. In the adjustment of these regulations, and execution of any plan in relation to the collection

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and distribution of the public revenue, which the government may think proper to pursue, I will, not less from inclination than duty, perform any portion of the service that may be assigned to me.

As the purity of the currency of all countries is of vital importance to their prosperity, and as the *actual* currency of the United States is the evidence of contracts to pay money, made in virtue, and under the Authority of laws of the several States, over which the General Government appears to possess no other controul than that of the power to pass laws in relation to Bankruptcies, I feel unwilling to omit the opportunity which is now presented, to suggest to the president of the United States whether it might not be expedient to enact a law under this power, which shall be applicable to Corporations and individuals issuing that description of notes which constitute the circulating medium of the Country, and imposing such penalties and forfeitures as shall restrain them from making issues which are not justified by their ability to fulfil their engagements.

I am with great respect, thy friend

[*Indorsement in Jackson's handwriting :*] Mr. Elicot, *Bank* .

The power of the Secretary, after the deposits are removed to State Banks, to compel the United States, to transfer the funds, her paper being receivable for revenue, to be considered. A. J.